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Monthly Statistical Report

Prepared by the Statistics Department

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AUGUST 1985

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Domestic products were supplied at a 58 thousand B/D (0.4%) higher rate in August than a year ago. Deliveries of gasoline, kerosine jet fuel, and distillates posted year-to-year gains in August, while residual fuel oil and other oils again declined. Year-to-year increases in demand for such light products as gasoline and kerosine jet fuel have prevailed for most of the year, but distillate deliveries have mostly been on the downside.

Crude oil production rose about 1.3% over last August's level, as the combined result of an increase in lower 48 output and higher Alaskan production. Both crude and product imports were below year-earlier levels, as market uncertainties continued. Inventories fell counterseasonally in August, their 21 million barrel drop since July contrasting with a roughly 15 million barrel increase that has, on average, been occurring at this time of the year over the past decade.

PRODUCTS SUPPLIED[1/]

Gasoline

UP 2.0% OVER LAST YEAR.

Deliveries of gasoline rose 144 thousand B/D (2.0%) over August 1984 levels. Some 45 thousand B/D, or about a third of the year-to-year increase, is the result of blenders' volume not included in last year's count, reducing the true year-to-year increase to about 1.4%. This rate of improvement is about in line with the average increase in prior months this year, when similarly adjusted.

Gasoline prices sagged in August. Leaded gasoline prices fell about 1½¢ and unleaded about a penny. When adjusted for inflation, current price levels are slightly below last August's and some 30% below March 1981 highs.

Unleaded's market share in August was 65%, a close-to-five-point advance over the prior year. Increases in car sales and scrappage of old, leaded-gasoline-using vehicles continue to spur unleaded sales. Helped by financing incentives in late August, car sales rose by about 23% for the month, raising the year-to-date gain to roughly 5%.

Distillates

DELIVERIES UP NEARLY 5%.

Distillate deliveries rose 120 thousand B/D (4.7%) over last August's level, despite the fact that demand related to truck and rail traffic continued to lag year-earlier levels, declining an estimated 30-40 thousand B/D. Non-primary inventories are believed to have reached low levels by early August, and distributors and consumers appear to have replenished inventories at a perhaps 150-thousand B/D greater rate this August than last.

June and first half 1985 delivery levels compiled by the Department of Energy have just become available. On page 2 we list our sectoral estimates of distillate consumption for the first halves of 1984 and 1985. Comments on our estimates for major sectors follow:

On-Highway

The year-to-year change for this sector is based, in large part, on trends apparent from data contained in the Federal Highway Department's Special Fuels report, an estimated 95% of volume included therein representing diesel fuels. That report showed demand for the first quarter to be up slightly from last year, but preliminary reports for April and May indicate that deliveries in those two months declined 2% - 3% year-to-year. With June 1984's strong special fuels volume, June 1985's year-to-year decline is likely to have been even greater than during the prior two months, and total first-half distillate deliveries to this sector, despite a first-quarter increase, are estimated to be trailing last year by about 25 thousand B/D.

DISTILLATE DELIVERIES BY END-USE SECTOR

	(MBD)		
	1st Half 1984	1st Half 1985	% Change
Residential and Commerical	828	795	-4.0
Industrial	236	235	-0.4
Farm	200	205	2.5
Oil Company	77	72	-6.5
Utilities	33	29	-12.1
Railroad	297	288	-3.0
Bunkers	95	90	-5.3
On-highway	1060	1045	-1.4
Military	46	46	—
Off-highway	118	122	3.4
Subtotal	2990	2930	-2.0
Miscellaneous	6	31	N/M
Total	2996	2961	-1.2

Source: Totals only — Dept. of Energy, Energy Information Administration; Sector estimates by American Petroleum Institute.
Note: Percentage changes are based on rounded figures shown.

Railroads

Bulk freight carriage declined about 3.5% during the first six months of 1985 versus last year's first half and "piggy back" traffic, long providing substantial year-to-year increases, also fell. As a result, railroad diesel usage for the first six months of 1985 is estimated to be almost 10 thousand B/D below last year.

Residential/Commercial

Warmer weather this year, particularly in the Middle Atlantic States and the upper Midwest, was responsible for a good part of the more-than-30 thousand B/D decline.

Oil-Company

Significant drops in drilling activity contributed to the 5 thousand B/D decline.

Some offset to these decreases was provided by the farm and "miscellaneous" sectors. Crop estimates for major grains and cotton envisaged significant gains over last year's record harvests. With plantings up, demand for distillate was likely up somewhat from 1984 levels. The remainder of the year-to-year change, not readily allocatable to other sectors, has been assigned to the "miscellaneous" sector.

Residual Fuel Oil

DECLINED MORE THAN 7% FROM LAST AUGUST'S LEVEL.

August deliveries fell 95 thousand B/D (7.5%) short of last year's level, continuing the almost-uninterrupted decline since 1978.

While economic activity slackened in recent months, major economic performance indicators continue to be ahead of last year. Industrial production, for example, while experiencing declining year-to-year gains for the past year, was about 1% ahead in July, and showed a similar increase in August. Recent price trends for residual fuel oil and natural gas, major competitors in the electric utilities and industrial markets, have been favoring natural gas. After falling to recent-year lows in May, residual fuel oil prices, after minor zigzag movements in June and July, strengthened in late August, by end of month posting a roughly $3-per-barrel rise over early-month quotations. Natural gas prices, on the other hand, have been experiencing continued deterioration at all levels. Spot market prices are reported to have fallen the equivalent of 10-20¢ per thousand cubic feet in August from July levels. While still relatively small in volume, such spot sales—or other relatively-short-term arrangements—are on the increase and apparently have an influence on contracts being renegotiated. Exhibit I depicts the course of natural gas and residual fuel oil prices since 1981, as represented by prices paid by electric utilities.

As a result of a widened gap between resid and natural gas prices, we estimate that resid deliveries to the industrial sector, which benefited meaningfuily from lower resid prices in May, were equal to or only slightly above last August's.

While price developments significantly influenced the industrial market with its substantial dual-fuel-boiler capacity, purchases of resid by electric utilities have also been affected. For the first six months of 1985, recently-released figures indicate a deliveries decline at electric utilities of about 160 thousand B/D compared with last year's level. Data now indicate, however, that the second-quarter loss in resid deliveries was some 120 thousand B/D versus a first-quarter decline of about 200 thousand B/D, reflecting the impact of lower residual fuel oil prices after the end of the U.K. coal strike in early March. As prices have recovered in part from late spring lows, there is reason to believe that resid purchases by electric utilities in August were again falling. We, therefore, estimate that August's decline in resid deliveries to the electric utilities sector may have exceeded 150 thousand B/D. Coal, whose price is also below last year's level, further consolidated its dominant role in the electric utilities market, rising almost a full percentage point to a 55% market share.

Bunker deliveries have recently been slightly ahead of last year's; recent months' increases have averaged about 20 thousand B/D.

As we mentioned in last month's report, public records indicate that some residual fuel oil imported—possibly averaging some 45-50 thousand B/D in recent months—is subsequently being rerun, and that the decrease in end use resid demand is correspondingly greater.

Kerosine Jet Fuel

UP 3% OVER LAST AUGUST.

The level of kerosine jet fuel deliveries has been on the rise throughout August, reaching a level of about 1.2 million B/D during the second half of the month. For August as a whole, deliveries were up 31 thousand B/D (3.1%) over the year-ago level, exceeding the 1 million B/D level for the second month in a row.

"Miles flown" data are not yet available for the most recent months. The almost-continuous diminution of year-to-year increases since early 1985 would indicate that August miles flown would not have exceeded last August's level, the highest of 1984, though preliminary reports indicate that August air traffic levels were very high.

For the year to date, kerosine jet fuel deliveries are less than 3% ahead of last year, while "miles flown" are believed to have exceeded the corresponding 8 months of 1984 average by about 4%.

Other Oils

DECLINED MORE THAN 1%.

Deliveries of "other oils" are estimated to have fallen about 56 thousand B/D (1.4%) compared with last August's. The chemical industry's sales are reported to have fallen about 1% in the second quarter of 1985 compared with the corresponding 1984 period. This rate of year-to-year decrease is only about half the first quarter's rate of decline; the improved rate of the second quarter, moreover, is estimated to have continued into July and August. Petrochemical feedstock deliveries dropped 45 thousand B/D, or about 11%, for the first six months of 1985 versus last year's first half. However, the improving trend of overall chemical sales leads us to believe that by August petrochemical feedstock deliveries to chemical companies may have experienced a smaller year-to-year deficit.

Asphalt and road oil deliveries were about 20 thousand B/D, or roughly 7%, greater in this year's first half than for the corresponding period last year, largely as a result of higher state and local road construction outlays. We believe that last March's allocation of current-year federal funds has been having only a gradual effect on road oil deliveries. Consequently, we do not estimate total eight months' deliveries to have exceeded last year's levels by any meaningfully greater amount than the first half's 20 thousand B/D increase.

Propane deliveries were up about 90 thousand B/D in June but only about 34 thousand B/D, or slightly over 4% for the first six months of the year. Propane prices have been lower for some months; they were some 8¢ per gallon below last year in August. The recent-month pick-up in sales may be related to this price decline, and, as a consequence of rising activity in the chemical sector, may have continued into August. Nevertheless, because last August's deliveries were relatively high, we

estimate August 1985 deliveries to be about 85 thousand B/D (11%) lower than last year. As a result, eight months' volume is likely to have been only minimally ahead of last year.

(In millions of B/D)	AUGUST ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total domestic products supplied	16.2	16.1	0.4	15.6	15.9	(1.3)
—Motor gasoline supplied	7.2	7.1	2.0	6.8	6.7	2.0
—Distillate fuel oil supplied	2.7	2.6	4.7	2.9	2.9	(0.8)
—Residual fuel oil supplied	1.2	1.3	(7.5)	1.2	1.5	(16.4)

SUPPLY[1/]

Total supply rose 64 thousand B/D compared with last year. A roughly 283 thousand B/D increase in total domestic supply was only partially offset by a 219 thousand B/D shortfall in imports.

Production

UP MORE THAN 1% OVER LAST AUGUST'S.

Crude oil production rose 117 thousand B/D (1.3%) over the prior-year level, slightly higher than increases during prior months.

Alaskan production, largely because of a more-than-doubled output rate at Kuparuk, rose an estimated 80 thousand B/D in August. For the first time in several months, lower 48 production also showed an increase, though minimal at about 40 thousand B/D.

Total domestic production has been experiencing a slight year-to-year uptrend for more than three years and the lower 48, from the middle of 1983 until early this year, had been a steady contributor. Decreases averaging some 300 thousand B/D had occurred in the price-controlled seventies in the lower 48, but the downward trend was halted when price controls were partly removed in mid-1979 and fully eliminated in January 1981. Had the trend continued, lower 48 production at this time would have been some 1.9 million barrels per day less than current levels.

Imports

DOWN 4½% FROM AUGUST 1984 LEVELS.

August imports fell 219 thousand B/D (4.5%) from prior-year levels, as a greater proportion of supply, because of the continued lack of market stability, was obtained from inventories. Both crude oil and product imports were below last year's. The 161 thousand B/D drop in residual fuel oil imports contributed almost three-quarters of the year-to-year decline in total imports. Gasoline and gasoline component imports are estimated to have exceeded last year by 125-150 thousand B/D. However, distillate imports fell about 140 thousand B/D. The availability of distillates has reportedly been tight in European markets. As a result, European spot prices had risen more than $3 per barrel by late August over July levels to well above N.Y. Harbor quotations, apparently diverting some product to these higher-priced markets.

Canada, by a slim margin over Mexico, was the largest source of imports into the U. S. in June, the latest month for which data are available. The United Kingdom, Venezuela, and Indonesia followed, in that order. Imports from Canada were more than 200 thousand B/D above last June's level, while Mexican imports dipped about 40 thousand B/D; Mexican production and overall export levels have recently been somewhat below prior levels.

OPEC's share of June imports was about 34% compared with last June's 41%.

Inventories

DOWN ALMOST 21 MILLION BARRELS FROM JULY LEVELS.

With price uncertainty continuing, inventories fell almost 21 million barrels in August, when they normally rise by about 15 million barrels at this time of year. Falling crude oil inventories accounted for almost 3 million barrels of the total decline, unfinished oils' decline for about 9 million barrels. Gasoline inventories fell some 3 million barrels, roughly in line with the historical decline at this time of the year. They represent an about-average 31 days of supply. Distillate inventory levels fell slightly; build-up has been hampered by lower imports and the fact that August distillate production was about 125 thousand B/D below last year's level.

Inventories of natural gas liquids and liquefied refinery gases, which represent roughly 60% of all "other oils" inventories, rose in July (latest month available) from June levels, in line with historical patterns, but were still some 15 million barrels below last year. Slowed economic activity, including chemical sales that at least during the first half of 1985 had been trailing last year's high levels, appear to be the main reason. Prices for these products have been under pressure for some time and have generally been below last year's levels, though some scattered recovery in selected markets occurred towards month-end.

Operations

UTILIZATION RATE, AT MORE THAN 70%, WAS SLIGHTLY AHEAD OF LAST YEAR IN AUGUST.

Input to crude oil distillation units was about 270 thousand B/D below last August's level but operable capacity decreased by about 420 thousand B/D. As a result, utilization was almost a half percentage point greater than last year's level. If the roughly 1.2 million B/D in presently-idled operable capacity is taken into consideration in computing the utilization rate, it rises to about 85%.

(In millions of B/D)	AUGUST ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total supply	16.2	16.2	0.4	16.1	16.5	(2.9)
—Crude production[2/]	8.9	8.8	1.3	8.9	8.8	0.8
—Crude oil imports[3/4/]	2.9	3.1	(5.2)	2.9	3.2	(9.3)
—Product imports	1.7	1.8	(3.3)	1.8	2.0	(11.5)

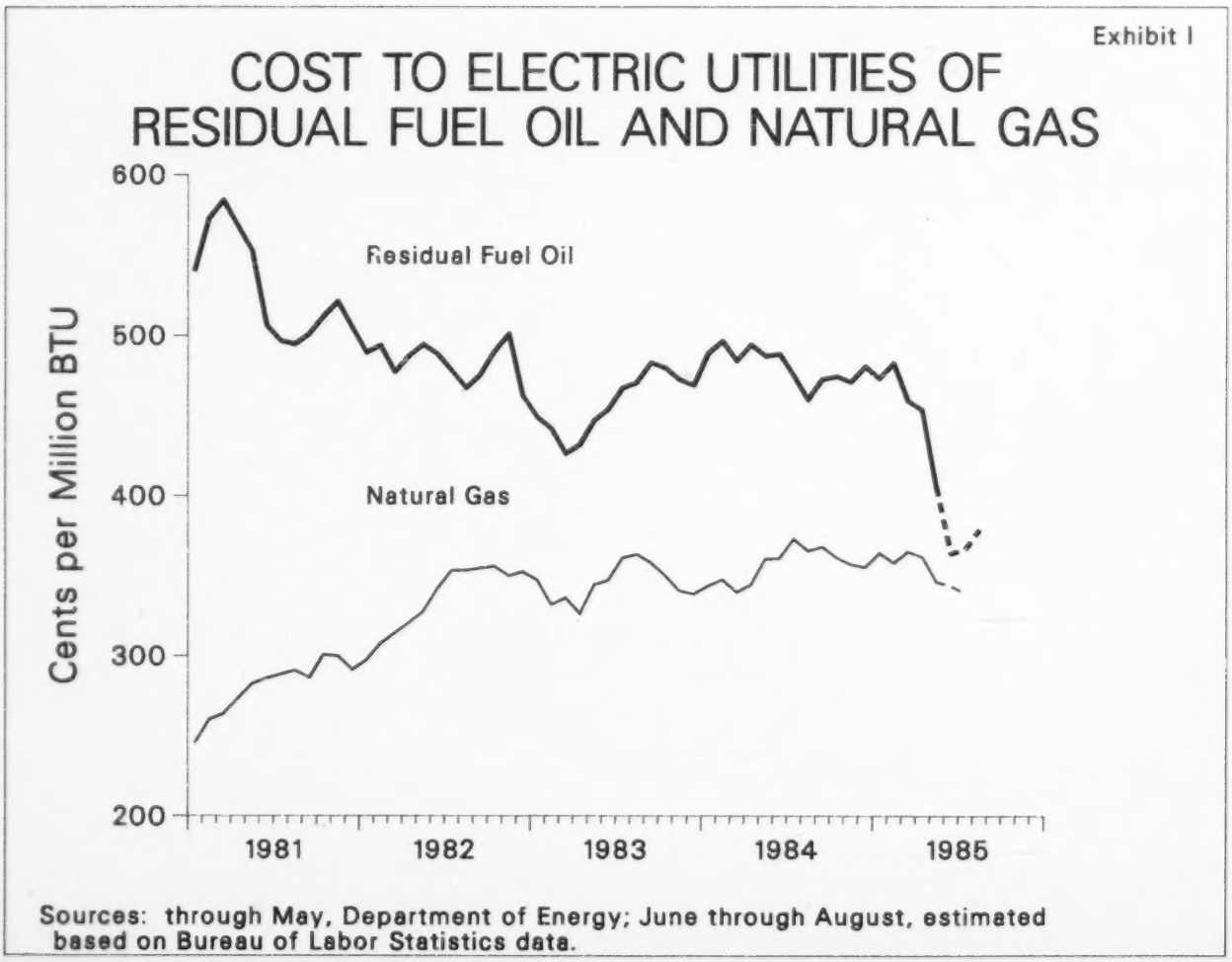
1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 487 million barrels as of August 31, 1985.

Exhibit I



Sources: through May, Department of Energy; June through August, estimated based on Bureau of Labor Statistics data.

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	AUGUST			YEAR-TO-DATE		
	1985[1]	1984[2]	% Change	1985[3R]	1984[2]	% Change
Products Supplied:						
Total motor gasoline	7,237	7,093	2.0	6,836	6,705	2.0
Finished leaded motor gasoline*	2,534	2,811	(9.9)	2,500	2,784	(10.2)
Finished unleaded motor gasoline*	4,703	4,282	9.8	4,336	3,921	10.6
Naphtha-jet	215	257	(16.3)	217	225	(3.6)
Kerosine-jet	1,023	992	3.1	959	935	2.6
Distillate fuel oil	2,679	2,559	4.7	2,854	2,878	(0.8)
Residual fuel oil	1,166	1,261	(7.5)	1,219	1,458	(16.4)
All other oils[4]	4,038	4,094	(1.4)	3,771	3,855	(2.2)
Reclassified[5]	- 182	- 138	31.9	- 213	- 199	7.0
Total domestic products supplied	16,176	16,118	0.4	15,643	15,857	(1.3)
Exports	720	732	(1.6)	742	694	6.9
Total products supplied	16,896	16,850	0.3	16,385	16,551	(1.0)
Supply:						
Domestic production:						
Crude oil[6]	8,926	8,809	1.3	8,918	8,847	0.8
Natural gas liquids	1,623	1,637	(0.9)	1,618	1,615	0.2
Other supply[7]	1,039	859	21.0	795	809	(1.7)
Total domestic supply	11,588	11,305	2.5	11,331	11,271	0.5
Imports:						
Crude oil, total	2,908[10/]	3,068[10/]	(5.2)	2,905[10/]	3,204[10/]	(9.3)
Canadian	354	298	18.8	457	327	39.8
Other	2,554	2,770	(7.8)	2,448	2,877	(14.9)
Products, total	1,737	1,796	(3.3)	1,814	2,049	(11.5)
Residual fuel oil	411	572	(28.1)	495	737	(32.8)
Other	1,326	1,224	8.3	1,319	1,312	0.5
Total imports	4,645	4,864	(4.5)	4,719	5,253	(10.2)
Total supply	16,233	16,169	0.4	16,050	16,524	(2.9)
Stock change, all oils	- 663	- 681	XXXX	- 335	- 27	XXXX
Refinery Operations						
Input to crude oil distillation units	12,264	12,535	(2.2)	12,033	12,219	(1.5)
Operable capacity	15,619	16,040	(2.6)	15,626	16,097	(2.9)
Refinery utilization (%)[8]	78.5%	78.1%	0.5	77.0%	75.9%	1.4
Crude oil runs	12,104	12,346	(2.0)	11,896	12,054	(1.3)

Stocks (millions bbls.)	1985		1984[2]	% Change from . . .	
	Aug. 31[9]	Jul. 31[9]	Aug. 31	Previous Month	Year Ago
Crude oil 10/	322.4	325.0r/	334.6	(0.8)	(3.6)
Unfinished oils	104.3	113.2r/	106.0	(7.9)	(1.6)
Total motor gasoline**	225.8	229.0r/	224.4	(1.4)	0.6
Finished leaded motor gasoline*	80.4	79.9	85.4	0.6	(5.9)
Finished unleaded motor gasoline*	110.3	113.6r/	100.5	(2.9)	9.8
Naphtha-jet	6.9	6.8	7.1	1.5	(2.8)
Kerosine-jet	35.5	36.4	38.5	(2.5)	(7.8)
Distillate fuel oil	115.9	117.5	133.3	(1.4)	(13.1)
Residual fuel oil	38.8	41.5	44.6	(6.5)	(13.0)
All other oils	174.7	175.4r/	179.5	(0.4)	(2.7)
Total all oils	1,024.3	1,044.8r/	1,068.0	(2.0)	(4.1)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-June, U.S. Department of Energy, July-August, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.